



Department of Justice

Remarks Prepared for Delivery by
Associate Attorney General Kevin O'Connor

Press Conference Regarding Air Cargo

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Good morning. Thank you for being here. With me today are Scott Hammond, Deputy Assistant Attorney General for the Antitrust Division's Criminal Enforcement Program and Joe Persichini, Assistant Director in Charge of the FBI's Washington Field Office.

We are here to announce significant new developments in the Antitrust Division's ongoing investigation into the international air transportation industry.

This investigation focuses on a conspiracy involving a number of the world's largest airlines to manipulate air cargo transportation costs through a multi-year price fixing scheme. This conspiracy, conservatively, has affected billions of dollars of shipments. Estimates suggest that the total harm to American consumers and businesses from this conspiracy is in the hundreds of millions of dollars.

As part of the conspiracy, several companies and their co-conspirators artificially raised the price to ship into and out of the United States consumers goods of all types, including electronics, clothing, produce and medicines. As a result, freight forwarders, businesses and, ultimately, American consumers paid more than they should have for such products.

Today, in the latest development in this matter, as reflected in Informations filed in federal court here in Washington, Air France, Cathay Pacific Airways Limited, KLM Royal Dutch Airlines, Martinair Holland and SAS Cargo Group have agreed to plead guilty and pay criminal fines totaling \$504 million for their illegal participation in this international price fixing cartel.

Of the \$504 million in fines, Air-France and KLM, which now operate under common ownership by a single holding company, have agreed to pay a \$350 million criminal fine. If the court accepts the plea agreement and imposes this fine, it would be the second largest criminal fine ever obtained by the Antitrust Division and one of the largest criminal fines ever imposed by the Department of Justice.

Furthermore, in addition to their guilty pleas, Cathay will pay a criminal fine of \$60 million, Martinair will pay a \$42 million fine, and SAS will pay a \$52 million fine.

These latest guilty pleas acknowledge that these companies were involved in a conspiracy to fix cargo rates including base rates, fuel surcharges or post 9/11 security surcharges. The companies' participation in the conspiracy began as early as 2001 and continued until at least 2006.

As an example of the impact of the conspiracy, fuel surcharges imposed by some of the conspirators rose by as much as 1000 percent during the course of the conspiracy, far outpacing any percentage increases in fuel costs that existed during the same time period.

Air France-KLM, Cathay, Martinair, SAS and their co-conspirators carried out their price fixing conspiracy, through officers and employees of the companies, by participating in meetings and discussions to enforce their illegal agreements.

They levied cargo rates in accordance with the agreements they reached in these

meetings and discussions which were held in the United States, Europe, and Asia. The companies also monitored and enforced adherence to the agreed-upon cargo rates.

These are not the first charges brought in this investigation. In August 2007, British Airways and Korean Airlines pleaded guilty and each paid \$300 million fines for their roles in fixing prices on air cargo rates and passenger fares.

Earlier this year, Qantas Airways pleaded guilty and paid a \$61 million fine and Japan Airlines pleaded guilty and paid a \$110 million fine.

And, most recently, Qantas's former highest-ranking executive employed in the U.S., pleaded guilty, agreed to pay a fine and to serve 8 months in jail for his role in the conspiracy.

With today's plea agreements, it brings the total fines imposed in the Antitrust Division's investigation in the air transportation industry to more than \$1.2 billion, the highest total amount of fines ever imposed in a criminal antitrust investigation.

These enforcement actions demonstrate the Antitrust Division's successful efforts to aggressively investigate and prosecute illegal cartel activity – here and abroad – in order to ensure that American consumers and businesses are not harmed by illegal anticompetitive activities.

I want to recognize the efforts of the Antitrust Division's National Criminal Enforcement Section and the FBI's Washington Field Office. They have spent countless hours protecting American consumers and businesses from violations of our antitrust laws.

I also want to acknowledge the Department of Transportation's Office of the Inspector General and the U.S. Postal Service's Office of the Inspector General, and our foreign counterparts for their invaluable assistance in this international investigation.

The transportation of goods into and out of the United States is the life blood of a vibrant

economy. Millions of Americans consumers and thousands of American businesses — from the corner store to the biggest corporation — rely on the air transportation industry to provide the products we buy, sell, and use every day. The price-fixing conspiracy acknowledged here today undermines our economy and harms the American people who, due to the lack of true competition in this area, end up footing the bill. The FBI and the Antitrust Division stand ready to investigate and prosecute such anticompetitive conduct to the fullest extent of the law.

Joe Persichini will now say a few words on behalf of the FBI, after which we will be happy to answer any questions you may have.